

LEGISLATIVE REPORT FOR THE 2003 SESSION

NOVEMBER 2003

Division of Mental Health Developmental
Disabilities and Substance Abuse Services

Introduction

This legislative report provides a summary of legislation affecting the Mental Health, Developmental Disabilities, and Substance Abuse Services (MH/DD/SAS) system of North Carolina. It summarizes legislation introduced during the 2003 Legislative Session.

The first section includes a summary of each bill ratified in the 2003 Session. There are twenty bills discussed, each dealing with issues that affect people with disabilities. These new statutes will impact the way private providers, hospitals, local mental health programs, and communities support individuals with disabilities and their families.

The next section is an overview of the appropriations bill, as it impacts mental health, developmental disabilities and substance abuse services. It includes all mh/dd/sas general fund appropriations, block grant appropriations, and the DMH special provisions that were enacted. A brief description of the special provisions of other Divisions that have an impact on DMH functions is also provided.

Finally, the report includes a brief review of legislation that did not pass. These bills remain of particular interest to the MH/DD/SAS system and many of them will continue to be followed in the short session of 2004.

Table of Contents

- I. Summary of Key Legislation Enacted in the 2003 session of the North Carolina General Assembly**
 - ♦ H36 (=S617) Repeal Involuntary Sterilization (S.L. 2003-13)
 - ♦ H80 Reports to Mental Health Oversight Committee (S.L. 2003-58)
 - ♦ H461 Interpreter Licensure Act Effective Date (S.L. 2003-56)
 - ♦ H462 (=S415) Marriage and Family Therapists (S.L. 2003-117)
 - ♦ H684 (=S845) Psychiatric Hospital Finance Act (S.L. 2003-684)
 - ♦ H743 (=S329) Nurse Testimonial Privilege (S.L. 2003-342)
 - ♦ H815 Detox Facilities Not Subject to CON (S.L. 2003-390)
 - ♦ H826 (=S654) Amend Mental Health Confidentiality Statutes (S.L. 2003-313)
 - ♦ H860 (=S1017) Detector Dog Trainers (S.L. 2003-398)
 - ♦ H883 Mental Health Reform Waiver (S.L. 2003-178)
 - ♦ H907 Deaf/Hard of Hearing Advisory Council (S.L. 2003-343)
 - ♦ H1049 Licensed Psychological Associates/Independent
 - ♦ H1123 Guardianship Amendments (S.L. 2003-236)
 - ♦ H1151 Improve Rule Making Process (S.L. 2003-229)
 - ♦ S251 Prohibit “Rebirthing” Technique (S.L. 2003-205)
 - ♦ S421 Amend Child Welfare Laws (S.L. 2003-304)
 - ♦ S704 Traumatic Brain Injury Advisory Council (S.L. 2003-114)
 - ♦ S876 Controlled Substance/Physician Register (S.L. 2003-335)
 - ♦ S926 Clarify Group Home Licensure and LEA Requirements (S.L. 2003-294)
 - ♦ S934 DWI Provider Authorization Fees (S.L. 2003-396)
- II. Division of Mental Health, Developmental Disabilities and Substance Abuse Services Appropriations**
- III. Block Grants**
- IV. Division of Mental Health, Developmental Disabilities and Substance Abuse Services Special Provisions**
- V. Other Special Provisions**

VI. Legislation not ratified in the 2003 Session

- ♦ **Mental Health/Chemical Dependency Parity**
- ♦ **Mental Health Study Integration of Care**
- ♦ **Guardianship Study**
- ♦ **Discharge from Adult Care Homes**
- ♦ **Divestiture of Property: MH/DD/SA**
- ♦ **LCSW/Qualified Professional for Mental Health Commitment**
- ♦ **MHOC Study- Mental Health in Prisons**

HB 36
Repeal Involuntary Sterilization

Primary Sponsors: Womble; Luebke; Weiss; Insko

Date of introduction: 2/18/03

Date Ratified: 4/21/03

Previously, under the provisions of Article 7 of Chapter 35 of the General Statutes, the court could order sterilization without holding a hearing, and sterilization procedures could be performed regardless of the respondent's objections or the objections of the respondent's next of kin. In addition, the provisions for obtaining court-ordered sterilization were applied to *any* individuals with mental illness or mental retardation.

House Bill 36 (S.L. 2003-13) enacts a new sterilization procedure statute that is limited to those persons with mental illness and mental retardation who have been adjudicated incompetent and have a court-appointed guardian of the person.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0036.full.html>

HB 80
Reports to Mental Health Oversight Committee

Primary Sponsors: Insko
Date of introduction: 2/24/03
Date Ratified: 5/20/03

This bill (S.L. 2003-58) creates G.S. 120-243 to require DHHS to report to the Joint Legislative Oversight Committee on MH/DD/SA Services whenever it is required by law to report to the General Assembly or the permanent committees or subcommittees of the General Assembly on matters affecting MH/DD/SA services. The act also makes changes to G.S. 122C-5, 131D-42, and 131D-10.6 to require DHHS to submit to the Joint Legislative Oversight Committee on MH/DD/SA Services the reports required by those statutes regarding the use of restraint and seclusion in adult care homes, child care facilities, and MH/DD/SA facilities.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0080.full.html>

HB 461
Interpreter Licensure Act Effective Date

Primary Sponsors: Alexander
Date of introduction: 3/12/03
Date Ratified: 5/20/03

This bill simply extends some of the deadlines required in G.S. 90D. Such timeline extensions are as follows:

- ◆ The licensure board member selection due date has been extended to July 1, 2003, rather than January 1, 2003.
- ◆ Any practicing person who does not register with the Board on or before December 31, 2004, will be required to complete all requirements prescribed by the Board and comply with the provisions of Chapter 90D, enacted by Section 1 of the act.

This bill also allows for the North Carolina Interpreter and Transliterator Licensing Board to adopt temporary rules to implement S.L. 2002-182 until January 1, 2004.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0461.full.html>

HB 462
Marriage and Family Therapists

Primary Sponsors: Alexander; G.Wilson

Date of introduction: 3/12/03

Date Ratified: 6/2/03

H 462 (S.L. 2003-117) amends G.S. 58-50-30 and the Marriage and Family Therapy Licensure Act to provide for direct payment to licensed marriage and family therapists for services covered by health insurance policies and plans. It also amends The Professional Corporation Act to add marriage and family therapists to the list of professionals who may form a professional corporation.

The law now permits a professional corporation to be formed by or between the following to render psychotherapeutic and related services:

- ◆ a physician or psychologist, or both
- ◆ a licensed marriage and family therapist
- ◆ a licensed clinical social worker
- ◆ a licensed professional counselor
- ◆ a certified clinical specialist in psychiatric and mental health nursing, or each of them

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0462.full.html>

HB 684
Psychiatric Hospital Finance Act

Primary Sponsors: Crawford; G.Allen; Fox; Luebke

Date of introduction: 3/25/03

Date Ratified: 7/14/03

This is an act to provide a statutory framework for the financing of capital facilities, to authorize the issuance of special obligation bonds for the construction of the new psychiatric hospital. The bill authorizes the issuance or incurrence of financing contract indebtedness in a maximum principal amount of \$110 million. The project shall consist of the acquisition, construction, and equipping of an approximately 450,000 square foot, 432-bed new psychiatric hospital located in Butner.

In addition, the Secretary shall maintain all existing educational and research programs in psychiatry and psychology conducted by UNC School of Medicine at Dorothea Dix Hospital. UNC School of Medicine shall retain authority over all educational and research programs in psychiatry and psychology conducted at the new psychiatric hospital authorized under this act.

The bill provides a funding mechanism for the construction of a consolidated psychiatric hospital for the central region of NC. Construction of the Central Hospital will require closure of the existing hospital facilities at Dorothea Dix and John Umstead Hospitals and transfer of staff and patients to the new facility in Butner.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0684.full.html>

HB 743

Nurse Testimonial Privilege

Primary Sponsors: Nesbitt; Walend

Date of introduction: 3/26/03

Date Ratified: 7/27/03

Under the new law (S.L. 2003-342), information that is acquired while rendering professional nursing services and necessary to providing such services is now “privileged”. This bill ensures that a nurse may not be required to disclose information unless a court determines that disclosure is necessary to the proper administration of justice and other law does not prohibit disclosure. By enacting this bill, a nurse’s communication with a patient is now considered *privileged*, as are the communications between a physician and a patient, a psychologist and a patient, and a clergyman or woman and a communicant. If a communication is privileged, the holder of the information (nurse in this case)— is not required to disclose information about the communication in the course of court proceedings except in limited circumstances.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0743.full.html>

HB 815
Detox Facilities Not Subject to CON

Primary Sponsors: Alexander
Date of introduction: 3/31/03
Date Ratified: 8/7/03

This bill was introduced in an effort to lift some of the barriers to Mental Health Reform and to increase community capacity. The bill amends two significant definitions related to chemical dependency treatment as follows:

- (1) Chemical dependency treatment facilities- This includes a unit within a general hospital, a unit within a psychiatric hospital, an attached or freestanding unit of a psychiatric hospital or a freestanding facility specializing in treatment of persons who are substance abusers or chemically dependent (all engaging in 24 hour per day treatment). "Social setting detoxification facilities" and "medical detoxification facilities" are no longer chemical treatment facilities for the purposes of certificate of need requirements.
- (2) Chemical dependency treatment bed- Beds licensed for detoxification are not 'chemical dependency treatment beds' for the purposes of certificate of need requirements.

The bill also specifies that "social setting detoxification facilities" may not deny an individual admission or treatment solely on the basis of the individual's inability to pay.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0815.full.html>

HB 826
Amend Mental Health Confidentiality Statutes

Primary Sponsors: Insko
Date of introduction: 3/31/03
Date Ratified: 7/14/03

House Bill 826 amends the confidentiality provisions of G.S. Chapter 122C to bring those provisions into conformance with the mental health system reform legislation of 2001 (S.L. 2001-437). The changes to the confidentiality statutes permit area and county programs and their provider networks to exchange confidential client information as necessary to perform their respective functions under the new system of services. Under the new system, area mental health programs discontinue their primary role as service providers, therefore becoming agencies that arrange, approve, monitor, and pay for services provided directly to clients by a network of qualified providers.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0826.full.html>

HB 860
Detector Dog Trainers

Primary Sponsors: Adams
Date of introduction: 4/3/03
Date Ratified: 8/7/03

This bill amends registration requirements and fees for individuals who wish to engage in certain activities with controlled substances. For the purposes of this particular bill, the General Assembly is referring to certain businesses such as commercial detection services. This means any person, firm, association, or corporation contracting with another person, firm, association, or corporation for a fee or other valuable consideration to place, lease, or rent a trained drug detection dog with a dog handler.

A dog handler who is not exempt from registration under G.S. 90-101 must file an application for registration with the Department of Health and Human Services and pay the applicable fee. Upon receipt of the application, the Department of Health and Human Services will conduct a background investigation, in which case the applicant must show that he/she meets all of the requirements as listed in the "Prerequisites for Registration" section of the bill.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0860.full.html>

HB 883
Mental Health Reform Waiver

Primary Sponsors: Insko
Date of introduction: 4/3/03
Date Ratified: 6/18/03

In North Carolina, statutes outline procedures for evaluating individuals being considered for involuntary commitment. Before the district court orders involuntary commitment, two different physicians or psychologists must first examine the individual. This bill authorizes the Secretary of DHHS to permit up to five area authorities or county programs to substitute a licensed clinical social worker, master's level psychiatric nurse, or master's level certified clinical addictions specialist to conduct the first examination in the commitment process in lieu of the physician or psychologist. This waiver from the statutory requirements is limited to area authorities or county programs that are participating in the first phase of the restructuring of the public mental health system under the 2001 mental health system reform legislation.

To apply for the waiver an area authority or county program must submit, as part of its business plan approved by the Secretary, a description of how the purpose of the statutory requirement would be better served if waived; how the waiver will enable the authority or program to improve the delivery or management of services; how the services provided by the substituted clinicians are within the clinicians' scope of practice; and how the health, safety, and welfare of individuals subject to the examination will continue to be at least as well protected under the waiver as under the statutory requirement.

Certain requirements are outlined for the Secretary in terms of measuring and monitoring the effectiveness and quality of such services. This bill was enacted and became effective as S.L. 2003-178 for three years until July 1, 2006.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0883.full.html>

HB 907
Deaf/Hard of Hearing Advisory Council

Primary Sponsor: Alexander

Date of introduction: 4/3/03

Date Ratified: 7/27/03

This bill amends the laws relating to the Council for the Deaf and Hard of Hearing (G.S. 143.B-216.31). It also increases the membership of the Council from 25 to 28 and changes the number of members appointed by the Governor from fifteen to twenty.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil0907.full.html>

HB 1049
Licensed Psychological Associates /Independent

Primary Sponsors: Holliman

Date of introduction: 4/9/03

Date Ratified: 8/1/03

House Bill 1049 (S.L. 2003-368) amends G.S. 58-50-30, effective January 1, 2004. It permits licensed psychological associates who hold permanent licensure to receive direct payment from insurers for services covered by health insurance policies and plans.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil1049.full.html>

HB 1118
Display Fetal Alcohol Syndrome Warning Signs

Primary Sponsors: Alexander
Date of introduction: 4/9/03
Date Ratified: 7/20/03

This is an act to require all ABC stores to post warning signs to inform the public of the effects of alcohol consumption during pregnancy. The Commission will develop these warning signs and may charge a reasonable fee, not to exceed twenty-five dollars for each sign, including replacement signs. The signs must also be of a certain appearance as described in the language of the bill.

Fetal Alcohol Syndrome (FAS) is a pattern of birth defects that result from drinking alcohol during pregnancy. It occurs in one out of every 750 births and is the number one known cause of mental retardation in the United States. FAS is also one of the three leading causes of birth defects. Each year, more than 40,000 American babies are born with defects because their mother drank alcohol when pregnant.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil1118.full.html>

HB 1123

Guardianship

Primary Sponsors: Farmer-Butterfield

Date of introduction: 4/9/03

Date Ratified: 6/19/03

This guardianship bill amends G.S. Chapter 35A to clarify the clerk of superior court's authority to enter a limited guardianship order allowing an adult who has been adjudicated incompetent to retain certain legal rights and privileges when appropriate based on the nature and extent of the ward's capacity. It also amends G.S. 35A-1107 to require the guardian ad litem (GAL) appointed to represent an allegedly incompetent adult to personally visit the respondent as soon as possible following the GAL's appointment. The GAL is to make every reasonable effort to determine the respondent's wishes regarding the incompetency proceeding and proposed guardianship. The GAL must also notify the clerk of the respondent's expressed wishes at all appropriate stages of the incompetency and guardianship proceeding, make recommendations to the clerk concerning the respondent's best interests (if those interests differ from the respondent's expressed wishes), and in cases in which limited guardianship may be appropriate, make recommendations to the clerk concerning the rights, powers, and privileges that the respondent should retain under a limited guardianship.

This bill supports individuals *before* they need full guardianship and encourages a relationship between the guardian ad litem and the individual in order to promote the individual's rights and ensure their wishes are properly expressed.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil1123.full.html>

HB 1151
Improve Rulemaking Process

Primary Sponsors: Nesbitt; C. Wilson; Culpepper

Date of introduction:4/9/03

Date Ratified: 6/19/03

This is a bill that amends the Administrative Procedure Act and revises the procedure for adopting permanent and temporary rule. It also creates a procedure for adopting emergency rules and clarifies the role of the Rules Review Commission.

The legislation reduces the time required to make a permanent rule effective in most cases. It also changes the procedure for adopting temporary rules and makes them subject to review by the Rules Review Commission. The bill further excludes the State Medical Facilities Plan from the definition of a rule and provides notice and hearing requirements for the adoption of the Plan.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/House/Hbil1151.full.html>

SB 251
Prohibit “Rebirthing” Technique

Primary Sponsors: Austin M. Allran

Date of introduction: 2/26/03

Date Ratified: 6/19/03

This bill makes it a criminal offense to reenact the birthing process in a manner that includes restraint and creates a situation in which the client may suffer physical injury or death. Under new G.S. 14-401.21 the practice of rebirthing, whether known as “rebirthing technique” or referred to by another name, is punishable as a misdemeanor for the first offense and a felony for a second or subsequent offense. The legislation also amends G.S. 122C-60(a) to clarify that, although restraint and seclusion of a client is permitted when necessary as a measure of therapeutic treatment, a technique to reenact the birthing process as described in G.S. 14-401.21 is not a measure of therapeutic treatment.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/Senate/Sbil0251.full.html>

SB 421
Amend Child Welfare Laws

Primary Sponsors: Scott Thomas

Date of introduction: 3/13/03

Date Ratified: 7/7/03

In accordance with G.S. 143-B-150.20 and 122C-54(h), mental health facilities must grant access to information regarding child fatalities that is otherwise confidential, except that information confidential under federal regulations governing substance abuse records can only be disclosed as permitted by those regulations.

Effective July 1, 2003, S 421 amends G.S. 143B-150.20 to provide that if the State Child Fatality Review Team does not receive information within thirty days after requesting it, the team may apply for a court order compelling disclosure.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/Senate/Sbil0421.full.html>

SB 704
Traumatic Brain Injury Advisory Council

Primary Sponsors: John H. Kerr III

Date of introduction: 4/1/03

Date Ratified: 5/31/03

This bill amends article three of Chapter 143B of the General Statutes by adding Part 33: North Carolina Traumatic Brain Injury Advisory Council. The Committee is charged with studying the needs of individuals with traumatic brain injuries and making recommendations to the Governor, the General Assembly, and the Secretary of DHHS regarding a comprehensive statewide service delivery system for persons suffering from traumatic brain injuries. Some of this Council's duties include the following:

- ◆ Review of how the term 'traumatic brain injury' is defined.
- ◆ Promote interagency coordination among state agencies.
- ◆ Study the needs of individuals with traumatic brain injury and the needs of their families.
- ◆ Promote and implement injury prevention strategies across the State.

This bill also provides a required guideline for the appointment process, the required membership representation, number of members to be appointed, and the process for filling vacancies on the Council. Furthermore, it states that the Secretary of the Department of Health and Human Services shall provide clerical and other assistance as needed.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/Senate/Sbil0704.full.html>

SB 876
Controlled Substance/Physician Register

Primary Sponsors: William R. Purcell

Date of introduction: 4/2/03

Date Ratified: 7/20/03

This bill amends G.S. 90-101 by adding a new subsection that addresses the need to assure that patients who are prescribed Buprenorphine for the treatment of opiate dependence have access to comprehensive care. This bill also supports the need for community expansion in the treatment of opiate dependency.

Senate Bill 876 (S.L. 2003-335) now requires physicians who prescribe or dispense Buprenorphine to register with the Department of Health and Human Services. In the application for registration, the physician must supply the Department with documentation of a formal agreement between the physician and qualified providers to make appropriate referrals for services such as counseling and case management. The physician must also acknowledge the application of federal confidentiality regulations to patient information. If the physician requests assistance in identifying qualified providers, the Department shall provide that assistance.

The bill also clarifies that if a physician is non-compliant with this new subsection of G.S. 90-101, the Department shall provide the North Carolina Medical Board with any evidence of non-compliance prior to taking action to rescind the physician's registration to prescribe or dispense Buprenorphine.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/Senate/Sbil0876.full.html>

SB 926
Clarify Group Home Licensure and LEA Requirements

Primary Sponsors: Tony Rand
Date of introduction: 4/2/03
Date Ratified: 7/7/03

In this Session, the General Assembly clarified last year's Senate Bill 163. The new bill reduces the period of time that licensure violations will disqualify an applicant (for licensure or enrollment) and provides a qualified exemption for area authorities and county programs. It also outlines very specific cases in which an applicant is prohibited from licensure or enrollment.

This bill also states that if an applicant for licensure or enrollment is the owner, principal, or affiliate of a licensable facility whose license was suspended or downgraded to provisional status as a result of violations of under G.S. 122C-24.1(a) or Article 1A of Chapter 131D, DHHS may not enroll the applicant as a new provider of Medicaid services or issue the applicant a license for a new MH/DD/SA facility or service until 60 months from the date the facility's license was revoked.

DHHS may enroll a provider that would otherwise be disqualified from enrollment under the foregoing provisions if (1) the applicant is an area authority or county program providing services under G.S. 122C-141 and there is no other provider of the service in the catchment area, or (2) the Secretary finds that the area authority or county program has shown good cause by clear and convincing evidence why the enrollment should be allowed. S.L. 2003-294 became effective on July 4, 2003.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/Senate/Sbil0926.full.html>

SB 934
DWI Provider Authorization Fees

Primary Sponsors: John H. Kerr III

Date of introduction: 4/2/03

Date Ratified: 8/7/03

This bill pertains to G.S. 122C-142.1 in which area authorities are required to provide, directly or by contract, the substance abuse services needed by a person to obtain a certificate of completion for restoration of a drivers license. Although a private facility is permitted to provide the substance abuse services, this bill amends the statute, effective October 1, 2003. It requires a private facility to obtain authorization to do so from DHHS and pay a fee. The fee is based on the number of persons served, for authorizing and monitoring the quality of the facility's services.

The Joint Legislative Oversight Committee on MH/DD/SAS will study the programs offered by assessing agencies and report its findings and any recommended legislation to the 2004 Regular Session of the 2003 General Assembly.

<http://www.ncga.state.nc.us/html2003/bills/CurrentVersion/ratified/Senate/Sbil0934.full.html>

II.
Division of MH/DD/SAS
Appropriations

About 17 percent of the DHHS funding, or almost 4% of the state's General Fund budget for 2003–2004, is appropriated to the Division of MH/DD/SA Services. The appropriation to the Division does not include state funds required to match federal Medicaid funds for MH/DD/SAS services.

The Current Operations and Capital Improvements Act of 2003, (the Appropriations Bill - H 397), appropriates \$577,290,247 from the General Fund to the DHHS Division of MH/DD/SA Services for fiscal year 2003–2004 and \$580,423,098 for 2004–2005. This is more than the \$573.3 million appropriated for 2002–2003 but less than the \$581.4 million appropriated for 2001–2002.

The budget act cuts \$268,664 in funding to the state-operated mental retardation centers by decreasing outreach expenditures by 15% and eliminates \$894,053 in contract costs by reducing the funding for MH/DD/SA services contracts with non-profit organizations. S.L. 2003-284 also reduces projected state spending by the Division by approximately \$3.1 million for each fiscal year of the 2003–2005 biennium based on eliminating inflation-based increases associated with utilities, vehicles, communications, and equipment.

The following demonstrates how the General Assembly dispersed these funds throughout the Division for SFY 2003-2004.

III. Block Grants

The Federal Government allocates monies to states through a variety of block grants. Each block grant has requirements for the use of the funds. Block grant dollars come into the state as general fund revenues and, therefore, are appropriated by the General Assembly as part of the biennial appropriations process. The following is the block grant appropriation to the various departments in state government for the 2003 biennium.

III. Block Grants

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY SERVICES BLOCK GRANT

01. Community Action Agencies	\$ 15,266,973
02. Limited Purpose Agencies	848,165
03. Department of Health and Human Services to administer and monitor the activities of the Community Services Block Grant	848,165

TOTAL COMMUNITY SERVICES BLOCK GRANT \$
16,963,303

SOCIAL SERVICES BLOCK GRANT

01. County departments of social services \$ 28,868,189 (Transfer from TANF - \$4,500,000)	
02. Allocation for in-home services provided by county departments of social services	2,101,113
03. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	3,234,601
04. Division of Services for the Blind	3,105,711
05. Division of Facility Services	426,836
06. Division of Aging - Home and Community Care Block Grant	1,840,234
07. Child Care Subsidies	3,000,000
08. Division of Vocational Rehabilitation - United Cerebral Palsy	71,484

09. State administration	1,693,368	
10. Child Medical Evaluation Program	238,321	
11. Adult day care services	2,155,301	
12. Comprehensive Treatment Services Program	422,003	
13. Department of Administration for the N.C. State Commission of Indian Affairs In-Home Services Program for the Elderly	203,198	
14. Division of Vocational Rehabilitation Services - Easter Seals Society	116,779	
15. UNC-CH CARES Program for training and consultation services	247,920	
16. Office of the Secretary - Office of Economic Opportunity for N.C. Senior Citizens' Federation for outreach services to low-income elderly persons	41,302	
17. Division of Social Services - Child Caring Agencies	1,500,000	
18. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services - Developmentally Disabled Waiting List for services	5,000,000	
19. Transfer to Preventive Health Services Block Grant for HIV/AIDS education, counseling, and testing	145,819	
20. Division of Facility Services - Mental Health Licensure	213,128	
21. Transfer to the Office of the Secretary - N.C. Inter-Agency Council for Coordinating Homeless Programs	150,000	
TOTAL SOCIAL SERVICES BLOCK GRANT		\$
54,775,307		

LOW-INCOME ENERGY BLOCK GRANT

01. Energy Assistance Programs	\$ 12,775,323
02. Crisis Intervention	9,192,927
03. Administration	2,957,339
04. Weatherization Program	4,212,740
05. Department of Administration - N.C. State Commission of Indian Affairs	54,840
06. Heating Air Repair and Replacement Program	1,966,153
TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 31,159,322

MENTAL HEALTH SERVICES BLOCK GRANT

01. Provision of community-based services for severe and persistently mentally ill adults	\$ 5,657,798
02. Provision of community-based services to children	2,513,141
03. Comprehensive Treatment Services Program for Children	1,500,000
04. Administration	568,911
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 10,239,850

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

01. Provision of community-based alcohol and drug abuse services, tuberculosis services, and services provided by the Alcohol and Drug Abuse Treatment Centers	\$ 18,901,711
02. Continuation of services for pregnant women and women	

with dependent children	8,069,524	
03. Continuation of services to IV drug abusers and others at risk for HIV diseases	4,616,378	
04. Provision of services to children and adolescents	7,740,611	
05. Juvenile Services - Family Focus	851,156	
06. Allocation to the Division of Public Health for HIV/STD Risk Reduction Projects	383,980	
07. Allocation to the Division of Public Health for HIV/STD Prevention by County Health Departments	209,576	
08. Allocation to the Division of Public Health for the Maternal and Child Health Hotline	37,779	
09. Administration	2,596,307	
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		\$
43,407,022		
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
01. Child care subsidies	\$154,713,475	
02. Quality and availability initiatives	16,449,256	
03. Administrative expenses	6,969,533	
04. Transfer from TANF Block Grant for child care subsidies	79,562,189	
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
\$257,694,453		
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		
01. Work First Cash Assistance	\$129,396,275	

02. Work First County Block Grants	94,653,315
03. Transfer to the Child Care and Development Fund Block Grant for child care subsidies	79,562,189
04. Child Care Subsidies for TANF Recipients	26,621,241
05. Child Welfare Workers for local DSS	11,452,391
06. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
07. Support Our Students - Department of Juvenile Justice and Delinquency Prevention	2,249,642
08. Residential Substance Abuse Services for Women With Children	2,000,000
09. Domestic Violence Services for Work First Families	1,200,000
10. After-School Services for At-Risk Children	2,249,642
YWCA Central Carolinas Youth Development Programs	\$176,000
11. Division of Social Services - Administration	400,000
12. Child Welfare Training	2,550,000
13. TANF Automation Projects	592,500
14. Work First/Boys and Girls Clubs	1,000,000
15. Work Central Career Advancement Center	550,000
16. WCH-Teen Pregnancy Prevention	1,500,000
17. Transfer to Social Services Block Grant for Child Caring Institutions	1,500,000

18. Special Children's Adoption Fund	2,000,000
19. NC Fast Implementation	630,000
20. Maternity Homes	838,000
21. Pregnancy Prevention Coalition of North Carolina	127,500
22. Individual Development Accounts	180,000
23. Reduction of Out-of-Wedlock Births	1,000,000

TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT
\$366,752,695

MATERNAL AND CHILD HEALTH BLOCK GRANT

01. Healthy Mothers/Healthy Children Block Grants to Local Health Departments	9,838,074
02. High-Risk Maternity Clinic Services, Perinatal Education and Training, Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments	2,307,918
03. Services to Children With Special Health Care Needs	5,078,647

TOTAL MATERNAL AND CHILD
HEALTH BLOCK GRANT \$
17,224,639

PREVENTIVE HEALTH SERVICES BLOCK GRANT

01. Statewide Health Promotion Programs	\$3,132,810
02. Rape Crisis/Victims' Services Program - Council for Women	197,112
03. Transfer from Social Services Block Grant - HIV/AIDS education, counseling, and testing	145,819

04. Office of Minority Health	159,459
05. Administrative Costs	108,546
06. Osteoporosis Task Force Activities	150,000

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT
\$3,893,746

SECTION 5.1.(b) Decreases in Federal Fund Availability. - If the United States Congress reduces federal fund availability in the Social Services Block Grant below the amounts appropriated in this section, then the Department of Health and Human Services shall allocate these decreases giving priority first to those direct services mandated by State or federal law, then to those programs providing direct services that have demonstrated effectiveness in meeting the federally and State-mandated services goals established for the Social Services Block Grant. The Department shall not include transfers from TANF for specified purposes in any calculations of reductions to the Social Services Block Grant.

If the United States Congress reduces the amount of TANF funds below the amounts appropriated in this section after the effective date of this act, then the Department shall allocate the decrease in funds after considering any underutilization of the budget and the effectiveness of the current level of services. Any TANF Block Grant fund changes shall be reported to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Decreases in federal fund availability shall be allocated for the Maternal and Child Health and Preventive Health Services federal block grants by the Department of Health and Human Services after considering the effectiveness of the current level of services.

SECTION 5.1.(c) Increases in Federal Fund Availability. - Any block grant funds appropriated by the United States Congress in addition to the funds specified in this act shall be expended by the Department of Health and Human Services, with the approval of the Office of State Budget and Management, provided the resultant increases are in accordance with federal block grant requirements and are within the scope of the block grant plan approved by the General Assembly.

SECTION 5.1.(d) Changes to the budgeted

allocations to the block grants appropriated in this act and new allocations from the block grants not specified in this act shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to the change and shall be reported immediately to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(e) The Department of Health and Human Services may allow no-cost contract extensions for up to six months for nongovernmental grant recipients under the TANF Block Grant.

SECTION 5.1.(f) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2003-2004 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an Abstinence Until Marriage Education Program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

The Department of Health and Human Services shall contract for the follow-up testing involved with the Newborn Screening Program. The Department may contract for these services with an entity within or outside of the State; however, the Department may only contract with an out-of-state entity if it can be demonstrated that there is a cost savings associated with contracting with the out-of-state entity. The contract amount shall not exceed twenty-five thousand dollars (\$25,000). The amount of the contract shall be covered by funds in the Maternal and Child Health Block Grant.

SECTION 5.1.(g) The sum of four hundred thousand dollars (\$400,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant shall be used to develop and implement a Medical Child Care Pilot open to children throughout the State.

SECTION 5.1.(h) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 5.1.(i) The sum of four hundred thousand

dollars (\$400,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2003-2004 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 5.1.(j) The sum of two million dollars (\$2,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2003-2004 fiscal year shall be used to provide regional residential substance abuse treatment and services for women with children. The Department of Health and Human Services, Division of Social Services and Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, in consultation with local departments of social services, area mental health programs, and other State and local agencies or organizations, shall coordinate this effort in order to facilitate the expansion of regionally based substance abuse services for women with children. These services shall be culturally appropriate and designed for the unique needs of TANF women with children.

In order to expedite the expansion of these services, the Secretary of the Department of Health and Human Services may enter into contracts with service providers.

The Department of Health and Human Services, Division of Social Services and Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report on its progress in complying with this subsection no later than October 1, 2003, and March 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. These reports shall include all of the following:

- (1) The number and location of additional beds created.
- (2) The types of facilities established.
- (3) The delineation of roles and responsibilities at the State and local levels.
- (4) Demographics of the women served, the number of women served, and the cost per client.
- (5) Demographics of the children served, the number of children served, and the services provided.
- (6) Job placement services provided to women.
- (7) A plan for follow-up and evaluation of services provided with an emphasis on outcomes.
- (8) Barriers identified to the successful implementation of the expansion.
- (9) Identification of other resources needed to

appropriately and efficiently provide services to Work First recipients.

(10) Other information as requested.

SECTION 5.1.(k) The sum of two million two hundred forty-nine thousand six hundred forty-two dollars (\$2,249,642) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2003-2004 fiscal year shall be used to support the existing Support Our Students Program and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the Program.

SECTION 5.1.(l) The sum of one million two hundred thousand dollars (\$1,200,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2003-2004 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to establish one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's designee and submitted to the Division of Social Services by December 1, 2003. The Division of Social Services, in consultation with the Council for Women, shall review the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of five thousand dollars (\$5,000) and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2003, and the county's proportion

of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2003. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

The Department of Health and Human Services shall report on the uses of these funds no later than March 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(m) The sum of two million two hundred forty-nine thousand six hundred forty-two dollars (\$2,249,642) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy and school dropout. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to establish one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration. The Department shall report no later than March 1, 2004, on its progress in complying with this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(n) The sum of eleven million four hundred fifty-two thousand three hundred ninety-one dollars (\$11,452,391) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2003-2004 fiscal year for Child Welfare Improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

SECTION 5.1.(o) The sum of one million five hundred thousand dollars (\$1,500,000) appropriated in this

section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2003-2004 fiscal year and the sum of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2003-2004 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 21.60 of S.L. 2001-424, as amended.

SECTION 5.1.(p) The sum of one million six hundred thousand dollars (\$1,600,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for fiscal year 2003-2004 shall be used to support various child welfare training projects as follows:

- (1) Provide a regional training center in southeastern North Carolina.
- (2) Support the Masters Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.
- (3) Provide training for residential child care facilities.
- (4) Provide for various other child welfare training initiatives.

SECTION 5.1.(q) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

SECTION 5.1.(r) The sum of eight hundred thirty-eight thousand dollars (\$838,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services shall be used to purchase services at maternity homes throughout the State.

SECTION 5.1.(s) The sum of two million dollars (\$2,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2003-2004 fiscal year shall be used to implement this subsection. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption

agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 5.1.(t) The sum of one million five hundred thousand dollars (\$1,500,000) appropriated in this act in the TANF Block Grant and transferred to the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for child caring agencies for the 2003-2004 fiscal year shall be allocated to the State Private Child Caring Agencies Fund. These funds shall be combined with all other funds allocated to the State Private Child Caring Agencies Fund for the reimbursement of the State's portion of the cost of care for the placement of certain children by the county departments of social services who are not eligible for federal IV-E funds. These funds shall not be used to match other federal funds.

SECTION 5.1.(u) The sum of one million dollars (\$1,000,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for Boys and Girls Clubs shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce school dropout and teen pregnancy rates. The Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate.

SECTION 5.1.(v) The Department of Health and Human Services shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the activities and expenditures of the North Carolina Inter-Agency Council for Coordinating Homeless Programs no later than April 1, 2004.

NER BLOCK GRANT FUNDS

SECTION 5.2.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.State Administration	\$1,000,000
02.Urgent Needs and Contingency	50,000
03.Scattered Site Housing	13,200,000
04.Economic Development	10,960,000
05.Community Revitalization	12,200,000
06.State Technical Assistance	450,000
07.Housing Development	2,000,000
08.Infrastructure	5,140,000

TOTAL COMMUNITY DEVELOPMENT

BLOCK GRANT - 2004 Program Year \$45,000,000

SECTION 5.2.(b) Decreases in Federal Fund

Availability. - If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 5.2.(c) Increases in Federal Fund

Availability for Community Development Block Grant. - Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: Each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 5.2.(d) Limitations on Community

Development Block Grant Funds. - Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million dollars (\$1,000,000) may be used for State administration; not less than fifty thousand dollars (\$50,000) may be used for Urgent Needs and Contingency; up to thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered Site Housing; up to ten million nine hundred sixty thousand dollars (\$10,960,000) may be used for Economic Development, including Urban Redevelopment grants; not less than twelve million two hundred thousand dollars

(\$12,200,000) shall be used for Community Revitalization; up to four hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance; up to two million dollars (\$2,000,000) may be used for Housing Development; up to five million one hundred forty thousand dollars (\$5,140,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 5.2.(e) Increase Capacity for Nonprofit Organizations. - Assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible activities in partnership with units of local government is an eligible activity under any program category in accordance with federal regulations. Capacity building grants may be made from funds available within program categories, program income, or unobligated funds.

SECTION 5.2.(f) Up to four million dollars (\$4,000,000) of funds for Economic Development may be used for Urgent Needs and Contingency for drought recovery.

SECTION 5.2.(g) Department of Commerce Demonstration Grants in Partnership with Rural Economic Development Center, Inc. - The Department of Commerce, in partnership with the Rural Economic Development Center, Inc., shall award up to two million two hundred fifty thousand dollars (\$2,250,000) in demonstration grants to local governments in very distressed rural areas of the State. These grants shall be used to address critical infrastructure and entrepreneurial needs and to provide small business assistance.

SECTION 5.2.(h) The Department of Commerce shall, in consultation with local government officials and the University of North Carolina School of Government, design a regional distribution system for making grants in the Community Revitalization category in program year 2005. The system shall take into account the relative lower income, poverty, and housing conditions in every region, target the most critical needs, and ensure that local governments in every region have equal and fair access to these funds.

IV.
Special Provisions
Division of MH/DD/SAS

Each year, within the Appropriations bill, the General Assembly establishes special provisions outlining any requirements related to the expenditure of funds. The following special provisions were listed as part of the mental health appropriations in Session Law 2003-284.

IV.
Special Provisions
Division of MH/DD/SAS

SUBPART 2. DIVISION OF MENTAL HEALTH, DEVELOPMENTAL
DISABILITIES, AND SUBSTANCE ABUSE SERVICES

MENTAL HEALTH, DEVELOPMENTAL DISABILITY, AND SUBSTANCE
ABUSE

SERVICES TRUST FUND FOR SYSTEM REFORM BRIDGE AND CAPITAL
FUNDING NEEDS AND OLMSTEAD

SECTION 10.9. Moneys in the Trust Fund established pursuant to G.S. 143-15.3D shall be used to establish or expand community-based services only if sufficient recurring funds can be identified within the Department of Health and Human Services from funds currently budgeted for mental health, developmental disabilities, and substance abuse services, area mental health programs or county programs, or local government.

EXTEND MENTAL HEALTH CONSUMER ADVOCACY PROGRAM
CONTINGENT

UPON FUNDS APPROPRIATED BY THE 2005 GENERAL ASSEMBLY

SECTION 10.10. Section 4 of S.L. 2001-437, as amended by Section 10.30 of S.L. 2002-126, reads as rewritten:

"SECTION 4. Sections 1.1 through 1.21(b) of this act become effective July 1, 2002. Section 2 of this act becomes

effective only if funds are appropriated by the 2003
2005 General Assembly for that purpose. Section
2 of this act becomes effective July 1 of the fiscal year for
which funds are appropriated by the 2003
2005 General Assembly for that purpose. The
remainder of this act is effective when it becomes law."

SUBSTANCE ABUSE PREVENTION SERVICES REPORTING

SECTION 10.11. The Department of Health and Human
Services shall report on its activities under Section 10.24 of
S.L. 2002-126 to the House of Representatives Appropriations
Subcommittee on Health and Human Services, the Senate
Appropriations Committee on Health and Human Services, and the
Fiscal Research Division not later than December 1, 2003.

TRANSITION PLANNING FOR STATE PSYCHIATRIC HOSPITALS

SECTION 10.12.(a) In keeping with the United States
Supreme Court decision in *Olmstead vs. L.C. & E.W.* and
State policy to provide appropriate services to clients in the
least restrictive and most appropriate environment, the
Department of Health and Human Services shall develop and
implement a plan for the construction of a replacement facility
for Dorothea Dix Hospital and for the transition of patients to

the community or to other long-term care facilities, as appropriate. The goal is to develop mechanisms and identify resources needed to enable patients and their families to receive the necessary services and supports based on the following guiding principles:

- (1) Individuals shall be provided acute psychiatric care in non-State facilities when appropriate.
- (2) Individuals shall be provided acute psychiatric care in State facilities only when non-State facilities are unavailable.
- (3) Individuals shall receive evidenced-based psychiatric services and care that are cost-efficient.
- (4) The State shall minimize cost shifting to other State and local facilities or institutions.

SECTION 10.12.(b) The Department of Health and Human Services shall conduct an analysis of the individual patient service needs and shall develop and implement an individual transition plan, as appropriate, for patients in each hospital. The State shall ensure that each individual transition plan, as appropriate, shall take into consideration the availability of appropriate alternative placements based on the needs of the patient and within resources available for the

mental health, developmental disabilities, and substance abuse services system. In developing each plan, the Department shall consult with the patient and the patient's family or other legal representative.

SECTION 10.12.(c) In accordance with the plan established in subsections (a) and (b) of this section, any nonrecurring savings in State appropriations that result from reductions in beds or services shall be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs. These funds shall be used to facilitate the transition of clients into appropriate community-based services and supports in accordance with G.S. 143-15.3D. Recurring savings realized through implementation of this section shall be retained by the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, (i) for implementation of subsections (a) and (b) of this section and (ii) to support the recurring costs of additional community-based placements from Division facilities in accordance with *Olmstead vs. L.C. & E.W.*

SECTION 10.12.(d) The Department of Health and Human Services shall submit reports on the status of implementation of this section to the Joint Legislative

Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. These reports shall be submitted on December 1, 2003, and May 1, 2004.

COMPREHENSIVE TREATMENT SERVICES PROGRAM

SECTION 10.13. The Department of Health and Human Services shall report on its continuing implementation of the Comprehensive Treatment Services Program established pursuant to Section 21.60 of S.L. 2001-424. The Department shall submit an interim report on December 1, 2003, and a final report not later than April 1, 2004, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

MENTAL RETARDATION CENTER DOWNSIZING

SECTION 10.14.(a) In accordance with the Department of Health and Human Services' plan for downsizing the State's regional mental retardation facilities by four percent (4%) each year, the Department shall implement cost-containment and reduction strategies to ensure the corresponding financial and

staff downsizing of each facility. The Department shall manage the client population of the mental retardation centers in order to ensure that placements for ICF/MR level of care shall be made in non-State facilities. Admissions to State ICF/MR facilities are permitted only as a last resort and only upon approval of the Department. The corresponding budgets for each of the State mental retardation centers shall be reduced and positions shall be eliminated as the census of each facility decreases. At no time shall mental retardation center positions be transferred to other units within a facility or assigned nondirect care activities such as outreach.

SECTION 10.14.(b) Any savings in State appropriations in each year of the 2003-2005 fiscal biennium that result from reductions in beds or services shall be applied as follows:

- (1) Nonrecurring savings shall be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs and shall be used to facilitate the transition of clients into appropriate community-based services and support in accordance with G.S. 143-15.3D; and
- (2) Recurring savings realized through implementation

of this section shall be retained by the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to support the recurring costs of additional community-based placements from Division facilities in accordance with *Olmstead vs. L.C.*

& E.W. In determining the savings in this section, savings shall include all savings realized from the downsizing of the State mental retardation centers including both the savings in direct State appropriations in the budgets of the State mental retardation centers as well as the savings in the State matching portion of reduced Medicaid payments associated with downsizing.

SECTION 10.14.(c) The Department of Health and Human Services shall report on its progress in complying with this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The progress report shall be submitted not later than January 15, 2004, and a final report submitted not later than May 1, 2004.

SECTION 10.14.(d) Downsizing of mental

retardation centers which occurs in the 2003-2004 fiscal year shall be maintained for the 2004-2005 fiscal year. Effective July 1, 2003, downsizing shall be accomplished in accordance with this section and the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services. All savings resulting from downsizing occurring on and after July 1, 2003, shall be utilized as set forth in subsection (b) of this section.

MENTAL RETARDATION CENTER TRANSITION PLAN

SECTION 10.15.(a) The Department of Health and Human Services shall develop and implement a plan for the reorganization of outreach services performed by the State mental retardation centers. The plan shall provide for the elimination of self-referrals by the mental retardation centers and shall include the following:

- (1) The area and county mental health programs shall have exclusive authority for referring to the mental retardation centers persons in the community who are in need of specialized services.
- (2) The mental retardation centers shall coordinate the transition of residents from the mental retardation centers to area and county mental health programs,

and shall provide technical assistance to community service providers and families who care for transitioned residents, and to others in the community, as appropriate, for the purpose of furthering community services and placement.

- (3) The method for allocating savings in State appropriations from the mental retardation centers across the area and county mental health programs.

SECTION 10.15.(b) In accordance with the plan established in subsection (a) of this section, any recurring and nonrecurring savings in State appropriations that result from the transfer of referral activities in the mental retardation centers to area and county mental health programs shall be transferred from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to area and county mental health programs for referral activities.

SECTION 10.15.(c) The Department of Health and Human Services shall report on the implementation of this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. This report shall be submitted on February 1, 2004.

SERVICES TO MULTIPLY DIAGNOSED ADULTS

SECTION 10.16.(a) In order to ensure that multiply-diagnosed adults are appropriately served by the mental health, developmental disabilities, and substance abuse services system, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the following with respect to services provided to these adults:

- (1) Implement the following guiding principles for the provision of services:
 - a. Service delivery system must be outcome oriented and evaluation based.
 - b. Services should be delivered as close as possible to the consumer's home.
 - c. Services selected should be those that are most efficient in terms of cost and effectiveness.
 - d. Services should not be provided solely for the convenience of the provider or the client.
 - e. Families and consumers should be involved in decision making throughout treatment planning and delivery.

(2) Provide those treatment services that are medically necessary.

(3) Implement utilization review of services provided.

SECTION 10.16.(b) The Department of Health and Human Services shall implement all of the following cost-reduction strategies:

(1) Preauthorization for all services except emergency services.

(2) Criteria for determining medical necessity.

(3) Clinically appropriate services.

(4) Not later than May 1, 2004, conduct a State review of (i) individualized service plans for former Thomas S. class members and for adults whose service plan exceeds one hundred thousand dollars (\$100,000) to ensure that service plans focus on delivery of appropriate services rather than optimal treatment and habilitation plans and (ii) staffing patterns of residential services.

SECTION 10.16.(c) No State funds shall be used for the purchase of single-family or other residential dwellings to house multiply diagnosed adults.

SECTION 10.16.(d) The Department shall submit a progress report on implementation of this section not later than

February 1, 2004, and a final report not later than May 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

AREA MENTAL HEALTH ADMINISTRATIVE COSTS

SECTION 10.17.(a) Area mental health, developmental disabilities, and substance abuse authorities or counties administering mental health, developmental disabilities, and substance abuse services shall develop and implement plans to reduce local administrative costs. The plans shall be developed in accordance with guidelines adopted by the Secretary, in consultation with the Local Government Commission and the North Carolina Association of County Commissioners, and in accordance with the following:

- (1) Administrative costs for area mental health, developmental disabilities, and substance abuse services programs shall not exceed thirteen percent (13%).
- (2) Administrative costs for counties administering mental health, developmental disabilities, and substance abuse services through a county program

shall not exceed thirteen percent (13%).

SECTION 10.17.(b) The Department of Health and Human Services shall report its progress in complying with this section not later than January 1, 2004, and April 15, 2004. The reports shall be submitted to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division and shall include:

- (1) A description of the process used and the participants involved in complying with subsection (a) of this section.
- (2) The guidelines developed under subsection (a) of this section.
- (3) A description of local compliance initiatives and efforts including program or function consolidation.
- (4) A list of area programs at or below the targeted thirteen percent (13%) for the 2003-2004 fiscal year.
- (5) Projected savings in administrative costs as a result of implementation of the targeted limits required under this section.

SECTION 10.17.(c) The Department may implement

alternative approaches to establish reasonable administrative cost limitations for Local Management Entities (LMEs), including both county programs and area authority models, and service providers in accordance with system reform and changes in system funding structures.

PRIVATE AGENCY UNIFORM COST FINDING REQUIREMENT

SECTION 10.18.(a) To ensure uniformity in rates charged to area programs and funded with State-allocated resources, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of the Department of Health and Human Services may require a private agency that provides services under contract with an area program or county program, except for hospital services that have an established Medicaid rate, to complete an agency-wide uniform cost finding in accordance with G.S. 122C-147.2. The resulting cost shall be the maximum included for the private agency in the contracting area program's unit cost finding.

SECTION 10.18.(b) If a private agency fails to timely and accurately complete the required agency-wide uniform cost finding in a manner acceptable to the Department's controller's office, the Department may suspend all Department funding and payment to the private agency until such time as an

acceptable cost finding has been completed by the private agency and approved by the Department's controller's office.

GROUP HOME TRACKING SYSTEM

SECTION 10.18A. The Department of Health and Human Services shall use funds within its budget for the 2003-2004 fiscal year to develop a group home tracking system.

V. Other Special Provisions

Each year, within the Appropriations bill, the General Assembly establishes special provisions outlining any requirements related to the expenditure of funds. The following special provisions were listed as part of other divisions' appropriations, in Session Law 2003-284, that are likely to have an impact on the Division of Mental Health, Developmental Disabilities and Substance Abuse Services.

Medicaid-Related Services Payments to Students with Disabilities

Section 10.29A of the Appropriations Bill amends Part 6 of Article 2 of Chapter 108A of the General Statutes to add a new section. This section requires collaboration among agencies to ensure Medicaid-related services payments to eligible students with disabilities in public schools. The Department is mandated to work with the Department of Public Instruction and local education agencies (LEA's) to develop efficient, effective and appropriate administrative procedures and guidelines. These procedures and guidelines will provide maximum funding for Medicaid-related services for Medicaid-eligible students with disabilities and will be streamlined to ensure that LEA's receive Medicaid reimbursement in a timely manner.

Special Assistance In-Home Program

Section 10.51 (a) of the Appropriations Bills states that during the 2003-2004 fiscal year and the 2004-2005 fiscal year, up to 800 eligible individuals may receive Special Assistance payments, provided by the Department of Health and Human Services. Previously, this option was available to 400 eligible individuals in 29 counties. The provision now allows for up to 800 individuals across the entire state to participate.

The significance of this program is that: (1) It explores a strategy that gives consumers choices and increases their options for residence and resources, (2) It is consistent with the Olmstead Decision of 1999, and (3) It allows funding for consumers to be more flexible and cost-effective. Many individuals who reside in facilities such as adult care homes also struggle with mental illness or developmental disabilities. This expansion of funds will allow more of the individuals our division serves to remain in their own home, if they so choose.

Medicaid Reform

Section 6.14A. (a) establishes the North Carolina Blue Ribbon Commission on Medicaid Reform. This Commission will examine the State's Medicaid program and make comprehensive recommendations for reform. Primarily, the Commission will focus on the role of Medicaid in the State's economy and the

relationship between services, spending, and best practices. This Commission is required to provide an interim report to the 2003 General Assembly by April 1, 2004.

VI. Legislation Not Ratified in the 2003 Session

The following legislation was tracked by the Division because of the significant impact it would have had on our system. Each bill and its final disposition in the 2003 session is briefly described here.

Mental Health/Chemical Dependency Parity

A mental health parity bill has been introduced in each of the last eleven consecutive sessions. House Bill 654 was an attempt to address the inequities in insurance benefits related to mental health and chemical dependency, as opposed to physical illnesses. It proposed that every insurer provide in each group health benefit, plan benefits for the necessary care and treatment of chemical dependency and mental illness equally to those of general physical illness. It addressed issues such as deductibles, co-insurance factors, co-payments, lifetime dollar limits, medical necessity, premium rates, etc. By reducing or eliminating any discriminating factors in insurance coverage for those persons suffering from mental illness or chemical dependency, not only would the stigma of such issues be diluted, but also all people would receive fair and equal coverage in a more holistic manner.

This bill was defeated in Committee and, therefore, is not ineligible for consideration in the short session.

Mental Health Integration of Care Status

House Bill 169 and Senate Bill 262 directed the Legislative Oversight Committee to study issues pertaining to the integration of care for children with multiple system service needs. The Legislative Oversight Committee would study state-of-the-art approaches to services, survey and analyze evidence-based practices in North Carolina, identify barriers to access, recommend changes to North Carolina service systems involving mental health, developmental disabilities, and substance abuse services, juvenile justice, etc. and provide estimates on the fiscal impact of proposed changes to these service systems. This bill was to eliminate the barriers to timely and appropriate access to services for children and to promote meaningful interagency collaboration.

Guardianship Laws

Senate Bill 273 and House Bill 156 were an endeavor to establish a Legislative Study Commission that would review State law pertaining to guardianship and its relationship to other applicable State laws such as the health care power of attorney, the right to a natural death, and durable power of attorney. This proposed study recognizes the growth in the elderly population and the number of persons who currently need, or may need in the future, alternate decision-

makers to act in their best interest. The State's guardianship laws have not been thoroughly reviewed in over 12 years to determine if changes in content or policy are needed to improve the adaptability and capability of these laws.

This bill was referred to the Committee on Rules and is eligible for consideration in the short session.

Mental Health in Prisons

House Bill 1085 proposed that the Legislative Oversight Committee conduct a study of the incidence of mental illness and substance abuse problems among inmates of the North Carolina prison system and those in the juvenile justice systems. The study would include cost comparisons of treatment versus detention, an analysis of how people with treatment needs become incarcerated, recommendations for the diversion of first offenders, and clarification as to the impact of early intervention with juveniles regarding recidivism.

This bill provided some validation or confirmation of the disconnect between Mental Health and Substance Abuse Services and the prison system. At the present time, those services are provided under two separate divisions. If this bill had been enacted, it's possible that it would have given both the Division of MH/DD/SAS and the Division of Prisons the information needed to demonstrate if diversion (ie. alternatives to incarceration) may be a viable option for persons with mental illness and substance abuse needs who are sentenced to prison.

This bill was referred to the Committee on Rules and is eligible for consideration in the short session.

Adult Care Homes

The House introduced Bill 954 to clarify the circumstances under which a resident may be transferred or discharged from an adult care home. The bill provided guidelines that adult care homes would be required to follow in terms of transfer/discharge criteria. It also would have required adult care homes to conduct an assessment prior to transfer/discharge to determine if a new care plan would allow the facility to meet the resident's needs.

Many older adults who have a mental illness reside in adult care homes. This bill would have provided them added protection from inappropriate transfers and/or discharges and it may have provided for decreased circumstances of discrimination due to their mental and/or psychological needs.

This bill was defeated in Committee and, therefore, is ineligible for consideration in the short session.

